

Message Text

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SUBJECT: HEARINGS OF SENATE ARMED SERVICES COMMITTEE
FEBRUARY 1, 1978

FOLLOINGARESUMMARIES OF SENATE ARMED SERVICES COMMITTEE
HEARINGS JANUARY 31 AND FEBRUARY 1:

TODAY WAS THE SECOND DAY OF TESTIMONY ON THE MILITARY ASPECTS OF THE NEW PANAMA CANAL TREATIES. THE WITNESSES INCLUDED TWO FORMER CHAIRMEN OF THE JOINT CHIEFS OF STAFF, ADMIRAL THOMAS MOORER AND GENERAL MAXWELL TAYLOR, FORMER DEPUTY SECRETARY OF DEFENSE WILLIAM CLEMENTS AND LT. GENERAL GORDON SUMNER, HEAD OF THE INTER AMERICAN DEFENSE BOARD. WITH THE EXCEPTION OF GENERAL MAXWELL TAYLOR, ALL WERE OPPOSED TO THE NEW TREATIES.

WILLIAM CLEMENTS TESTIFIED THAT WHEN HE WAS INVOLVED IN THE NEGOTIATIONS (1975-76), THE DEPARTMENT OF DEFENSE DRAFTED A SECURITY CLAUSE WHICH WOULD HAVE PROVIDED THAT IN THE EVENT OF A THREAT TO THE NEUTRALITY OF THE CANAL,
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PAGE 02 STATE 028288

THE PARTIES WOULD MEET TO CONSULT AND, IF NO AGREEMENT WAS REACHED, EACH COUNTRY COULD TAKE WHATEVER DIPLOMATIC, ECONOMIC OR MILITARY ACTION IT DEEMED NECESSARY TO MEET THE THREAT. CLEMENTS STATED THAT THIS WAS ACCEPTABLE TO BOTH COUNTRIES. SINCE IT WAS NOT INCLUDED IN THE FINAL TREATIES, AND HE DID NOT FEEL THAT ARTICLE IV OF THE

NEUTRALITY TREATY WAS SUFFICIENT, CLEMENTS COULD NOT SUPPORT THE TREATIES.

GENERAL SUMNER STATED THAT THE 17 MEMBERS OF THE INTER-AMERICAN DEFENSE BOARD, TO VARYING DEGREES, HAD GRAVE CONCERNS ABOUT THE POSSIBILITY OF CONFLICT AND COMMUNIST INFILTRATION UNDER THE PROPOSED TREATIES. IF THE TREATIES ARE NOT RATIFIED, THE INTER-AMERICAN DEFENSE BOARD WOULD LIKE TO SEE A MULTILATERAL APPROACH TO THE DEFENSE OF THE CANAL. UNDER QUESTIONING HE REITERATED THAT THE MILITARY OFFICIALS IN ALL 17 LATIN COUNTRIES ARE NOT SUPPORTIVE OF THE TREATIES THOUGH THEIR FOREIGN MINISTRIES MAY PUBLICLY SUPPORT.

IN ADDITION TO THESE WITNESSES, HERBERT HANSELL WAS AVAILABLE FOR QUESTIONING ON THE NEED FOR A PLEBESCITE IN PANAMA IF THE TREATIES ARE AMENDED AND ON LEGAL ISSUES INVOLVED IN THE TREATIES. GIVEN THE CONSTRAINTS OF TIME, HANSELL MAY BE CALLED TO TESTIFY AGAIN ON THURSDAY.

THE THIRD DAY OF HEARINGS ON THE PANAMA CANAL TREATIES BEFORE THE SENATE ARMED SERVICES COMMITTEE DID NOT ADVANCE AN EARLY AND FAVORABLE SENATE VOTE ON THE CANAL TREATIES. APPEARING BEFORE THE COMMITTEE WERE GOVERNOR PARFITT, COMPTROLLER GENERAL STAATS AND MR. NICOLAI, THE REPRESENTATIVE OF AMERICAN MANAGEMENT SYSTEMS, A CONSULTANT FIRM HIRED BY THE COMMITTEE TO STUDY THE FINANCIAL ASPECTS OF

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PAGE 03 STATE 028288

THE TREATIES.

A MAJOR CONCLUSION OF THE STUDY, AS RELEASED TO THE PRESS BY THE COMMITTEE, WAS THAT THE FUTURE FINANCES OF THE CANAL WERE UNPREDICTABLE AND THAT UNITED STATES TAXPAYERS, THEREFORE, COULD BEAR LARGE DEFICITS. GOVERNOR PARFITT, IN RESPONSE TO QUESTIONING, SEEMED TO SUPPORT THIS TIMING. PARFITT OBSERVED THAT SOME UNCERTAINTY COULD BE DISPELLED IF THE CONTENT OF THE IMPLEMENTING LEGISLATION WERE KNOWN. HE CITED THE CONTINGENT ANNUITY OF 10 MILLION AS AN EXAMPLE OF ONE LARGE UNCERTAINTY AND OBSERVED THAT IF THE PAYMENT IS ROLLED BACK, YEAR AFTER YEAR, IT WOULD AMOUNT TO 220 MILLION AT THE EXPIRATION OF THE TREATY IN 1999. HE THEN EXPRESSED DOUBT AS TO WHETHER THIS OBLIGATION WOULD EXPIRE WITH THE TREATY. SENATOR HELMS CONCLUDED THE QUESTIONING OF THE GOVERNOR BY NOTING THAT HE AND SEVERAL OTHER SENATORS WOULD REQUEST SENATOR BYRD TO POSTPONE SENATE CONSIDERATION OF THE TREATIES UNTIL THE IMPLEMENTING LEGISLATION HAS BEEN REVIEWED.

COMPTROLLER GENERAL STAATS BEGAN HIS APPEARANCE WITH THE ASSERTION THAT THE IMPLEMENTING LEGISLATION CONTAINS THE KEY TO ASCERTAINING THE ECONOMIC VIABILITY OF THE CANAL UNDER THE CANAL TREATY. HE OBSERVED THAT HE HAD TRIED WITHOUT SUCCESS TO OBTAIN DRAFTS OF THE LEGISLATION. HE IDENTIFIED THE FOLLOWING "AREAS OF UNCERTAINTY":

ORDERLY TRANSFER OF ASSETS: HOW CAN WE TRANSFER ASSETS IF WE DO NOT KNOW PRECISELY WHAT WE ARE RELINQUISHING TO PANAMA, IN TERMS OF PROPERTY AND ACCOUNTS PAYABLE (PANAMA, FOR EXAMPLE, OWES THE PANAMA CANAL COMPANY MORE THAN 8 MILLION)? "THE LAST INVENTORY WAS TAKEN IN THE EARLY FIFTIES.)

PAYMENTS TO PANAMA FOR PUBLIC SERVICES: DO WE PAY PANAMA UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 028288

ON THE BASIS OF COST, OR DO WE PAY PANAMA A STRAIGHT 10 MILLION? WHAT STANDARDS ARE TO BE SET FOR THE QUALITY OF SERVICE?

FORM OF ORGANIZATION OF THE CANAL COMMISSION: IS THE COMMISSION TO BE A GOVERNMENT CORPORATION, OR SOMETHING ELSE?

10 MILLION CONTINGENT ANNUITY PAYMENT: WHEN, AND TO WHAT EXTENT, IS IT PAID, AND WHAT WILL HAPPEN TO ANY ROLL-BACK ACCUMULATION AT THE TREATY'S EXPIRATION?

STAATS RESPONDED TO A QUESTION BY STATING THAT HE WOULD NOT VOTE FOR THE TREATIES BEFORE SEEING THE IMPLEMENTING LEGISLATION.

MR. NICOLAI THEN SUMMARIZED THE CONCLUSIONS OF AMS'S STUDY:

TRAFFIC PROJECTIONS ARE OF NECESSITY UNCERTAIN, AND GROWTH COULD BE AS LITTLE AS ONE PERCENT, OR AS MUCH AS 3.6 PERCENT;

LARGELY BECAUSE OF THIS UNCERTAINTY, CANAL EXPENDITURES SHOULD BE REDUCED BY 30 TO 40 MILLION, LARGELY THROUGH PERSONNEL REDUCTIONS;

INFLATION ALONE WILL REQUIRE CONSTANTLY INCREASING TOLLS;

A FURTHER INCREASE OF AT LEAST 25 PERCENT BEYOND THAT INDUCED BY INFLATION WILL BE REQUIRED TO MEET EXPENSES IN THE SHORT RUN;

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PAGE 05 STATE 028288

THE COMMISSION SHOULD BE ENPOWERED TO RAISE TOLLS, AND DO
SO IN SMALL AND FREQUENT INCREMENTS; AND,
A DEFINITION OF AN OPERATING SURPLUS IS NECESSARY.

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